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INVESTMENT
DIVISION

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NORTHERN OHIO

TELEPHONE COMPANY

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BUSINESS INFO
CORPORATION FILE
ANNUAL
REPORT

YEAR
ENDED
DECEMBER 31,
1950





NORTHERN OHIO TELEPHONE COMPANY

~~General Offices~~

117 North Sandusky Street

Bellevue, Ohio

Directors

ALLAN G. AIGLER
Bellevue, Ohio

HERMANN H. THORNTON
East Lansing, Michigan

ROBERT T. CAMPBELL
Galion, Ohio

FRED W. UHLMAN
Bowling Green, Ohio

HERBERT A. ERF
Cleveland, Ohio

DUDLEY A. WHITE
Norwalk, Ohio

WILLIAM C. HENRY
Bellevue, Ohio

JOHN E. WISE
Willard, Ohio

Officers

Chairman of the Board—ALLAN G. AIGLER

President and General Manager—WILLIAM C. HENRY

Vice President—JOHN E. WISE

Secretary and Treasurer—WILLIAM H. TODD



Bellevue General Office Building

Northern Ohio Telephone Company is one of 255 Independent Telephone Companies, designated as Class A, by reason of having annual gross operating revenues of \$100,000 or more. It is a member of the Independent Telephone Industry, which is composed of some 5,800 independently owned telephone companies, providing service through almost 12,000 separate exchanges, to over 7,650,000 telephone subscribers.

Annual Report for the Year 1950

To The Stockholders:

The year 1950 completes a period of slightly more than five years since the end of World War II. It has been a period of gradual but continued inflation, with rising costs and an abnormal level of business activity. A breath-taking and bewildering series of events over the last six months, has brought us at year end to the beginning of an undetermined period of years, during which military requirements will be the dominating factor.

A pronounced increase in the use of telephone service, both local exchange and long distance, over these past five years has prevented us from fully satisfying all of the accumulated demands for exchange telephone service in the territory we are privileged to serve. This is particularly true in certain rural areas of our territory, and in a number of our cities where outside plant or central office facilities prevent the provision of individual line exchange service, to all those who desire this class of service. Long distance switchboards and all available long distance lines are being used to their maximum capacity. The increase in number of telephones served, and in the volume of long distance messages completed, together with a moderate upward adjustment in telephone service rates, resulted in the largest net income in the history of the Company.

Rates for telephone service have increased over the past twenty-five years much less than the wages and the income of our subscribers. During this period, the use or number of local calls originated from each telephone has more than doubled, and the quality of the service has been improved tremendously at most of our exchanges. Telephone service continues to offer a subscriber proportionately more for its cost than almost any other item in the average family budget.

Gain In Telephones

For the year 1950 this Company had a net increase in the number of connected telephones of 4,941 or 7.55 per cent. This exceeds by more than one-third the growth in stations recorded in any prior year. Included in this increase in telephones were 1,805 additional rural subscribers, a large proportion of them in areas not previously served.

Substantial progress was made during the past year in liquidating the backlog of "held orders" or pending applications for service. On January 1, 1950 we held unsatisfied orders for 499 city and 2,587 rural applicants, or a total of 3,086 people, who we were unable to serve. An aggressive construction program in the rural areas resulted in satisfying all but one city and 829 of these rural applications. There were, however, an additional 111 city and 986 rural orders for new service received during 1950 for which service could not be provided within thirty days, and we ended the year with 1,927 orders for telephones, which we were unable to install immediately. A special effort is being made to satisfy all pending orders prior to possible restrictions on our construction program by reason of material shortages.

Improvement In Quality of Service

Further progress was made toward improvement in the character or the quality of local service rendered from our exchanges, through the conversion of an increasing number of central offices to either automatic or common battery service. At the year end this Company provided service to 70,371 telephones through 63 separate exchanges. Fifty-one exchanges with 53,750 stations provided automatic service to 76.3 per cent of our telephones; 8 exchanges served 14,806 telephones, or 21.2 per cent of our subscribers with common battery service; and 4 offices, with a total of 1,815 telephones, or 2.5 per cent received magneto telephone service.

Increase In Toll Traffic

Our long distance operators completed a total of 4,732,486 toll calls during the past twelve months. This number is an



Wadsworth Automatic Equipment Room

increase of 418,079 toll messages, or 9.7 per cent. The volume of long distance traffic has increased steadily each year for the past fifteen years, and in 1950 completed toll calls from telephones of this Company were more than five times the number completed in 1935. Four of our nine long-distance toll-center exchanges are now equipped for nation-wide operator toll dialing, and substantially all of the toll calls from these four toll centers are completed by the operator dialing the distant telephone subscriber called.

Telephone Operating Revenues

Total revenues of the Company for 1950 were in the amount of \$3,740,911.48, which is an increase of \$412,739.55, or 12.4 per cent over the previous year. On March 6, 1949 the level of exchange rates was increased at 49 of our exchanges by an annual amount of \$185,000, and on March 9, 1950 local exchange rates at our remaining exchanges were increased in the annual amount of \$120,000.



Bowling Green Commercial Office

Subscribers station revenue increased \$270,036.15, of which amount approximately \$148,000 was due to the added number of telephones, and about \$122,000 resulted from that portion of the increase in exchange rates applicable to the past year. Revenue retained from long distance calls was greater by \$134,500. Other revenue, including directory advertising, building rentals and miscellaneous revenue, was some \$8,200 more than in 1949. Uncollectible revenue, or net losses on subscribers accounts, was less than \$2,000, or 6/100 of one per cent.

Telephone Operating Expenses

Total operating expenses were \$1,642,236.44, which is an increase of \$53,777.50, or 3.4 per cent. Maintenance expenses were up \$47,373 for the past year; Traffic expenses were \$23,464 more, Commercial expenses declined \$12,810, General Office expenses were higher by \$17,481, and Other

Operating expenses were \$21,731 less. The increase in operating expenses are due almost entirely to increased hourly rates paid our employees and to increases in the cost of operating materials and supplies.

Depreciation and Taxes

The amount set aside for depreciation or the wearing out of property, plant, and equipment during the past twelve months was \$451,977.60. This represents an annual rate of depreciation of 3.99 per cent on depreciable property other than motor vehicles and tools, which are depreciated at an annual rate of 7 per cent.

There was required for all of the various taxes assessed against the Company in 1950, the total amount of \$855,048.74. This is an increase of \$229,402, or 36.6 per cent over 1949. County taxes were \$130,000, State excise taxes required the payment of \$97,966.11, Federal Corporation income, surtax and excess profits taxes accrued were \$586,888.69, and old



Norwalk Long Distance Switchboard



Galion Power and Main Frame Room

age benefits, social security and other miscellaneous taxes were \$40,193.94 for the year. Out of each dollar of operating revenue received by the Company last year, 23 cents was required for taxes. This amounts to \$12.57 for each one of the average number of telephones in service.

In addition to the direct taxes paid by the Company, we collected from our subscribers, in accordance with the Federal Statutes, an additional \$709,941.37 in excise taxes on local exchange and long distance service, and a further amount of \$19,850.62 from our employees for social security benefits, both of which amounts were remitted to the Federal Treasury.

Operating Results

Net Income available for fixed charges was \$791,795.93, which is an increase of \$83,014.10 or 11.7 per cent. Fixed Charges, including the interest required on mortgage bonds, other interest deductions and the annual amortization of

the discount on funded debt, amounted to \$95,416.38, or \$3,293.62 more than the previous year.

Income available for dividends, or the interest return on the amount of preferred and common stock invested in the business, and for transfer to surplus was \$696,379.55. Regular quarterly dividends in the total amount of \$198,267.44 were paid on the several classes of outstanding preferred stock, and \$161,880 was paid on the shares of common capital stock, which was in the amount of \$1.20 per share of common stock for the year.

There was transferred to surplus as a reserve for future contingencies or requirements, the sum of \$336,232.11 which is \$55,907.91 more than was added to surplus for the year 1949. Net income of the Company was 6.03 per cent on the average book value of telephone property and plant dedicated to the service of the public during the past year.



Weston Unattended Dial Exchange Building

Financial Changes

In order to provide for a portion of the additional amount of new capital required during the year, \$642,500 in 4½ per cent preferred stock was sold, at its par value, to present stockholders and telephone subscribers of the Company. In order that the shares of common capital stock of the Company might more nearly represent their stated value of ten dollars per share, there was transferred from surplus to common stock as of August 26, 1950 the amount of \$426,000, and a distribution of one share of common stock for each four shares previously held was made.

Arrangements have been completed to issue and sell at 100.50 an additional series of Thirty year Mortgage Bonds in the principal amount of \$1,600,000. These bonds will carry an annual interest rate of 2⅞ per cent, will be dated November 1, 1950, and will be delivered prior to February 1, 1951. Proceeds from the sale of these bonds will be used partially to reimburse the Company's treasury for monies expended for plant improvements and to provide funds for future expansion and conversions to dial service.

Improvements and Additions

Additions to telephone property over the past year were more than in any previous year and amounted to \$2,007,275.49. Property was removed or retired with a value of \$557,779.00, resulting in net additions to our telephone plant of \$1,449,496.49. Some of the more important improvements included the replacement of the six position local manual switchboard at Wadsworth with a 1,000 line automatic exchange, and the installation of a 120 line automatic exchange at Weston which superseded magneto service at that point. A new 300 line dial exchange replaced a 70 line dial unit at Curtice, concurrent with placing in effect extended area local exchange service between Curtice and Toledo. New brick fire-proof buildings were completed at Wakeman, Grafton and LeRoy in preparation for the installation of automatic equipment at these three exchanges. Construction

work is approximately half completed on a modern district exchange building at Ashland and on substantial additions to our present district headquarters at Delaware and at Medina.

Four more long distance switchboard positions at Norwalk and two more at Bowling Green were installed in 1950. Major additions to automatic central office equipments at Medina, Port Clinton and Bowling Green were completed, and at the year end central office equipment necessary to integrate the Port Clinton and Bowling Green toll centers with the nation-wide toll dialing network was nearing completion.

Employees and Payrolls

On December 31, 1950 this Company employed 513 women and 166 men, exclusive of officers. These 679 people engaged in rendering a vital communications service, were paid total wages of \$1,333,764.03 for the past year. Labor contracts were renewed and increased hourly wage rates were effective July 3, 1950. These hourly rates were adjusted upward again at the end of the year to give consideration to the increase in the cost of living of our employees.

A Look Ahead

In the year ahead our operations must be adjusted to an increasing program of national mobilization of resources and manpower for military defense. The price of everything that goes into the rendition of a communication service will continue to rise. Taxes will be further increased. Before the year 1951 is completed, we will probably experience a restoration of most of the wartime controls in effect during World War II. Price controls and rationing of basic lead and copper metals, together with military demands for manpower, will require a substantial reduction in our program of plant expansion and improvements to our existing service. Priorities, allocations, and restrictions on the installation of new residence telephone service are likely within the year.

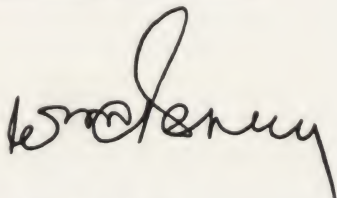
All indications point to a period of military preparedness extending over a period of years ahead. The Telephone Industry is vital to the furthering of this national program, and the demands for more local exchange and long distance service will continue to increase. It is unfortunate that almost all available margins of our outside plant and central office telephone equipment have been used up in providing for the accumulated service demands of World War II and the subsequent requirements of the past five years. The maximum amount of diligence, ingenuity and improvisation will be required to maintain our present standard of service. It is to this task that the Management and personnel of this Company have dedicated themselves in the uncertain and difficult years ahead.

Appreciation

This report would not be complete unless we expressed the sincere appreciation of Management for the loyal and helpful cooperation of our employees, numbering almost seven hundred, who have made possible our record of progress during the past twelve months. To them we extend our praise and thanks.

And, finally, we express our appreciation for the continued confidence and support of the hundreds of stockholders who have invested additional capital in this Company over the past years of abnormal expansion, and who continue loyal in their confidence in this Company.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Wm. C. Henry". The signature is fluid and cursive, with a large, prominent loop at the end.

Wm. C. Henry,
President and General Manager

Bellevue, Ohio
January 23, 1951

Northern Ohio Telephone Company - Bellevue, Ohio

Comparative Income Statement - Years Ended

December 31, 1950 and December 31, 1949

	Year 1950	Year 1949
LOCAL SERVICE REVENUES	\$2,246,916.43	\$1,976,880.28
TOLL SERVICE REVENUES	1,334,468.55	1,199,902.00
DIRECTORY ADVERTISING AND SALES	126,371.80	124,418.41
MISCELLANEOUS REVENUES	35,149.16	29,296.99
Revenues from rentals, private lines and miscellaneous services.		
LESS PROVISION FOR UNCOLLECTIBLE REVENUES	1,994.46	2,325.75
Total Operating Revenues	3,740,911.48	3,328,171.93
CURRENT MAINTENANCE	492,570.65	445,197.80
Cost of repairs, inspections and rearrangements required to keep plant and equipment in good operating condition.		
DEPRECIATION EXPENSE	451,977.60	405,312.48
Provision for decrease in value of telephone plant by reason of wear, or obsolescence. This is at the rate of 3.99% of average investment in depreciable plant in service during 1949 and 1950.		
TRAFFIC EXPENSES	738,574.82	715,110.61
Operators wages and other costs in handling of messages.		
COMMERCIAL EXPENSES	183,037.06	195,847.05
Cost incurred in business relations with customers, advertising, paystation commission and cost of directories.		
GENERAL OFFICE EXPENSES	163,309.48	145,828.40
Cost of preparing subscribers bills, general accounting, salaries of officers and legal expenses.		
OTHER OPERATING EXPENSES	64,744.44	86,475.08
Insurance, building and pole rentals, pensions and all other operating expenses.		
Total Operating Expenses	2,094,214.04	1,993,771.42
Net Operating Revenues	1,646,697.44	1,334,400.51
OPERATING TAXES:		
Federal Income Taxes	586,888.00	407,506.72
County, State Excise, Social Security and		
Other Taxes	268,160.74	218,139.88
Total Operating Taxes	855,048.74	625,646.60
Net Operating Income	791,648.70	708,753.91
OTHER INCOME - INTEREST AND MISCELLANEOUS INCOME	147.23	27.92
Net Income	\$ 791,795.93	\$ 708,781.83

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NORTHERN OHIO TELEPHONE

COMPARATIVE BALANCE SHEET

A S S E T S

	<i>Dec. 31, 1950</i>	<i>Dec. 31, 1949</i>
Plant and Other Investments:		
TELEPHONE PLANT IN SERVICE	\$13,844,409.95	\$12,394,913.46
Comprises land, buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment and tools.		
Telephone Plant Under Construction	307,867.44	102,203.95
Other Investments	21,728.70	700.00
Stock owned in other telephone companies		
Total Plant and Other Investments	<u>14,174,006.09</u>	<u>12,497,817.41</u>
Current Assets:		
CASH	232,543.05	265,801.71
SPECIAL DEPOSITS	7,902.50	8,271.65
Payroll account and Industrial Commission deposit.		
SINKING FUNDS	11,746.66	11,666.67
Amortization of Mortgage Bonds over 30 years.		
WORKING FUNDS	4,855.00	4,930.00
NOTES RECEIVABLE	13,186.31	232.50
ACCOUNTS RECEIVABLE	289,989.60	187,021.95
Accounts due for service, toll settlements and miscellaneous items (less revenue for uncollectible accounts).		
MATERIAL AND SUPPLIES	602,920.12	691,983.66
Principally for construction and maintenance purposes.		
Total Current Assets	<u>1,163,143.24</u>	<u>1,169,908.14</u>
Deferred Charges:		
PREPAYMENTS	11,282.58	14,254.47
Rents, Insurance, Auto Licenses and other expenses applicable to period after close of year.		
DISCOUNT ON FUNDED DEBT	15,053.35	15,605.95
Net balance of the discount, premium and expense on bonds in process of amortization.		
Total Deferred Charges	<u>26,335.93</u>	<u>29,860.42</u>
Total Assets	<u>\$15,363,485.26</u>	<u>\$13,697,585.97</u>

COMPANY-BELLEVUE, OHIO

December 31, 1950 and December 31, 1949

LIABILITIES

	Dec. 31, 1950	Dec. 31, 1949
Capital Stock:		
4¼% Preferred Stock, \$100 par value	\$ 1,200,000.00	\$ 1,200,000.00
4½% Preferred Stock, \$100 par value	2,000,000.00	1,357,500.00
5% Preferred Stock, \$100 par value	1,305,000.00	1,289,500.00
Common Stock, without par value (298,600 shares less 85,600 shares held in Treasury)	4 505 2,130,000.00	3 847 1,704,000.00
Premium on Capital Stock	16,040.00	17,757.50
Installments paid on Capital Stock	2,618.50	1,013.00
Total Capital Stock and Premium	6,653,658.50	5,569,770.50
Funded Debt:		
First Mortgage Bonds, 3¼% Series, due August 1, 1965	2,752,000.00	2,752,000.00
Current and Accrued Liabilities:		
Notes Payable	400,000.00	178,666.67
Accounts Payable	425,600.70	235,670.32
Amounts owing for material, supplies, toll settle- ments, subscribers excise taxes and miscellaneous expenses.		
Advance Billing and Payments	78,925.69	74,023.62
Subscribers advance payments and billings.		
Taxes Accrued	778,700.71	574,949.90
Unmatured Interest and Dividends	133,400.83	176,651.44
Other Current Liabilities	1,292.58	50,240.02
Total Current and Accrued Liabilities	1,817,920.51	1,290,201.97
Depreciation Reserve:	2,325,960.01	2,178,077.45
Surplus:		
Surplus Reserved	856,000.00	856,189.78
Unappropriated Earned Surplus	957,946.24	1,051,346.27
Total Surplus	1,813,946.24	1,907,536.05
Total Liabilities	\$15,363,485.26	\$13,697,585.97

51
90
65
206

90
46
136

Exchanges of Northern Ohio Telephone Company

<i>Exchange</i>	<i>Telephones Dec. 31, 1950</i>	<i>Exchange</i>	<i>Telephones Dec. 31, 1950</i>
Ashland	6924	McComb	625
Ashley	417	Medina	3231
Attica	577	Milan	486
Bellevue	3429	Monroeville	610
Berlin Heights	366	Montrose	1366
Bowling Green	3370	New London	1023
Brunswick	565	New Washington	467
Burbank	187	North Baltimore	809
Carey	1262	Norwalk	4406
Cheshire Center	278	Oak Harbor	1167
Chippewa Lake	249	Oberlin	2782
Clyde	1916	Ostrander	263
Congress	189	Pemberville	411
Creston	447	Plymouth	536
Crestline	1702	Polk	270
Curtice	879	Port Clinton	2941
Delaware	4705	Put-In-Bay	210
Elmore	659	Radnor	176
Galion	3936	Red Haw	227
Genoa	721	River Styx	35
Grand Rapids	477	Savannah	243
Grafton	414	Seville	701
Greenwich	642	Sharon Center	586
Haskins	152	Tontogany	144
Homerville	121	Valley City	288
Huron	1207	Wadsworth	3651
Kelleys Island	89	Wakeman	301
Kilbourne	195	Wayne	431
Lakeville	121	Weston	546
Lodi	886	West Salem	358
Loudonville	1289	Willard	2197
Marblehead	443		
		Total Stations . . .	70,301

Total Number of Exchanges 63

Automatic Service	51	—	Telephones	53,750
Common Battery Service	8	—	Telephones	14,806
Magneto Service	4	—	Telephones	1,815

